

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

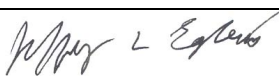
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Charter Township of Bedford, Michigan

**Financial Report
with Supplemental Information
December 31, 2006**

Charter Township of Bedford, Michigan

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Independent Auditor's Report

To the Township Board Members
Charter Township of Bedford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Bedford, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Bedford, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not capitalized or depreciated capital assets of the Sewer Enterprise Fund acquired prior to January 1, 1990. Accounting principles generally accepted in the United States of America require that all capital assets used by the Sewer Fund be recorded depreciated over their useful lives. The amount by which this departure would affect the assets, net assets, and current year expenses of the Sewer Enterprise Fund and the business-type activities in the government-wide financial statements cannot be determined.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements of the Proprietary Sewer Enterprise Fund and the business-type activities in the government-wide financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the business-type activities and the Sewer Enterprise Fund of Charter Township of Bedford, Michigan as of December 31, 2006 and the respective changes in financial position and cash flows thereof for the year then ended.

In addition, in our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the major governmental fund, and the aggregate remaining fund information of Charter Township of Bedford, Michigan as of December 31, 2006 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Township Board Members
Charter Township of Bedford, Michigan

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Township of Bedford, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moreau, PLLC

April 11, 2007

Charter Township of Bedford, Michigan

Management's Discussion and Analysis

Our discussion and analysis of Charter Township of Bedford, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2006:

- Total net assets related to the Township's governmental activities decreased by approximately \$29,000. The unrestricted portion of net assets decreased by approximately \$246,000.
- The Township made its third of five payments on the fire equipment installment loan during the year.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Bedford, Michigan

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current assets	\$ 1,514,819	\$ 1,602,503	\$ 813,924	\$ 922,982	\$ 2,328,743	\$ 2,525,485
Noncurrent assets	<u>1,403,444</u>	<u>1,472,797</u>	<u>2,057,384</u>	<u>2,116,181</u>	<u>3,460,828</u>	<u>3,588,978</u>
Total assets	2,918,263	3,075,300	2,871,308	3,039,163	5,789,571	6,114,463
Liabilities:						
Current liabilities	1,208,896	1,144,872	169,250	169,250	1,378,146	1,314,122
Long-term liabilities	<u>189,019</u>	<u>381,059</u>	<u>520,000</u>	<u>685,000</u>	<u>709,019</u>	<u>1,066,059</u>
Total liabilities	<u>1,397,915</u>	<u>1,525,931</u>	<u>689,250</u>	<u>854,250</u>	<u>2,087,165</u>	<u>2,380,181</u>
Net assets:						
Invested in capital assets -						
Net of related debt	1,032,585	924,804	1,372,384	1,266,181	2,404,969	2,190,985
Restricted	504,776	395,742	-	-	504,776	395,742
Unrestricted	<u>(17,013)</u>	<u>228,823</u>	<u>809,674</u>	<u>918,732</u>	<u>792,661</u>	<u>1,147,555</u>
Total net assets	<u>\$ 1,520,348</u>	<u>\$ 1,549,369</u>	<u>\$ 2,182,058</u>	<u>\$ 2,184,913</u>	<u>\$ 3,702,406</u>	<u>\$ 3,734,282</u>

Unrestricted net assets is the part of net assets that can be used to finance day-to-day operations. The current level of unrestricted net assets for our governmental activities stands at a deficit of approximately \$17,000.

Charter Township of Bedford, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue - Charges for services	\$ 204,140	\$ 80,181	\$ 219,868	\$ 203,666	\$ 424,008	\$ 283,847
General revenue:						
Property taxes	758,686	843,020	-	-	758,686	843,020
State-shared revenue	722,199	735,647	-	-	722,199	735,647
Unrestricted investment earnings	35,938	22,077	30,995	23,298	66,933	45,375
Franchise fees	56,660	13,385	-	-	56,660	13,385
Miscellaneous	12,412	22,736	-	-	12,412	22,736
Total revenue	1,790,035	1,717,046	250,863	226,964	2,040,898	1,944,010
Program Expenses						
General government	788,099	617,154	-	-	788,099	617,154
Public safety	1,014,024	960,557	-	-	1,014,024	960,557
Interest on long-term debt	16,933	22,242	-	-	16,933	22,242
Sewer	-	-	253,718	261,328	253,718	261,328
Total program expenses	1,819,056	1,599,953	253,718	261,328	2,072,774	1,861,281
Change in Net Assets	\$ (29,021)	\$ 117,093	\$ (2,855)	\$ (34,364)	\$ (31,876)	\$ 82,729

Governmental Activities

The Township's total governmental revenue increased by approximately \$73,000, primarily due to an increase in property tax revenue and franchise fee revenue.

Expenses included in the governmental activities increased approximately 14 percent.

Business-type Activities

The Township's business-type activities consist of the Sewer Fund. We provide sewer treatment services to residents through a contract with the City of Battle Creek. Expenses related to the contract with the City of Battle Creek decreased approximately \$3,200 from 2005, representing approximately a 2 percent decrease. Revenue relating to the contract sewer services increased approximately \$23,000 from 2005, representing approximately a 15 percent increase.

Charter Township of Bedford, Michigan

Management's Discussion and Analysis (Continued)

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township's major funds for 2006 and 2005 include the General Fund and the Sewer Fund. The Cemetery Fund is considered a nonmajor Special Revenue Fund.

During the year, General Fund expenses increased by about \$119,000, representing an approximate 6.5 percent increase.

The General Fund pays for most of the Township's governmental services. The most significant are public safety expenditures, which incurred expenses of approximately \$954,000 in 2006. These services are partially supported by a special public safety millage and a fire millage, which are recorded in the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was to decrease the estimated board expenditures to account for the actual amount paid for debt service on the fire truck debt. Overall, Township departments stayed below budget, resulting in total expenditures \$69,161 below budget. Total revenues were lower than anticipated revenues by \$42,134, primarily due to the budgeted amount of state-shared revenue being approximately \$52,800 higher than the amount actually received during the year. The General Fund's fund balance decreased from \$605,166 at December 31, 2005 to \$463,293 at December 31, 2006.

Capital Asset and Debt Administration

There were no capital expenditures during 2006 in either the General Fund or the Sewer Fund.

Economic Factors and Next Year's Budgets and Rates

The Township is focused on controlling expenditures for the coming year due to the uncertainty of the state-shared revenue funding sources.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Bedford, Michigan

Statement of Net Assets December 31, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments (Note 3)	\$ 991,617	\$ 434,848	\$ 1,426,465
Receivables - Net (Note 4)	511,632	373,854	885,486
Internal balances	(2,930)	2,930	-
Prepaid costs and other assets	14,500	2,292	16,792
Capital assets - Net (Note 5):			
Assets not being depreciated	37,463	-	37,463
Depreciated assets	1,365,981	2,057,384	3,423,365
Total assets	2,918,263	2,871,308	5,789,571
Liabilities			
Accounts payable	220,768	-	220,768
Accrued and other liabilities	-	4,250	4,250
Deferred revenue (Note 4)	800,090	-	800,090
Noncurrent liabilities:			
Due within one year (Note 7)	182,608	165,000	347,608
Due in more than one year (Note 7)	188,251	520,000	708,251
Compensated absences:			
Due within one year	5,430	-	5,430
Due in more than one year	768	-	768
Total liabilities	1,397,915	689,250	2,087,165
Net Assets			
Invested in capital assets - Net of related debt	1,032,585	1,372,384	2,404,969
Restricted - Fire levy	504,776	-	504,776
Unrestricted	(17,013)	809,674	792,661
Total net assets	<u>\$ 1,520,348</u>	<u>\$ 2,182,058</u>	<u>\$ 3,702,406</u>

Charter Township of Bedford, Michigan

Statement of Activities Year Ended December 31, 2006

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Primary Government		
			Governmental Activities	Business-type Activities	Total
Primary government:					
Governmental activities:					
General government	\$ 788,099	\$ 157,160	\$ (630,939)	\$ -	\$ (630,939)
Public safety	1,014,024	46,980	(967,044)	-	(967,044)
Interest on long-term debt	16,933	-	(16,933)	-	(16,933)
Total governmental activities	1,819,056	204,140	(1,614,916)	-	(1,614,916)
Business-type activities - Sewer	253,718	219,868	-	(33,850)	(33,850)
Total primary government	\$ 2,072,774	\$ 424,008	(1,614,916)	(33,850)	(1,648,766)
General revenues:					
Property taxes			758,686	-	758,686
State-shared revenues			722,199	-	722,199
Unrestricted investment earnings			35,938	30,995	66,933
Franchise fees			56,660	-	56,660
Miscellaneous			12,412	-	12,412
Total general revenues			1,585,895	30,995	1,616,890
Change in Net Assets			(29,021)	(2,855)	(31,876)
Net Assets - Beginning of year			1,549,369	2,184,913	3,734,282
Net Assets - End of year			\$ 1,520,348	\$ 2,182,058	\$ 3,702,406

Charter Township of Bedford, Michigan

Governmental Funds Balance Sheet December 31, 2006

	General Fund	Nonmajor Special Revenue Fund - Cemetery Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 960,949	\$ 30,668	\$ 991,617
Receivables - Net	511,632	-	511,632
Prepaid costs and other assets	14,500	-	14,500
Total assets	<u>\$ 1,487,081</u>	<u>\$ 30,668</u>	<u>\$ 1,517,749</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 220,768	\$ -	\$ 220,768
Due to other funds	2,930	-	2,930
Deferred revenue	800,090	-	800,090
Total liabilities	1,023,788	-	1,023,788
Fund Balances			
Reserved	504,776	30,668	535,444
Unreserved and undesignated	(41,483)	-	(41,483)
Total fund balances	463,293	30,668	493,961
Total liabilities and fund balances	<u>\$ 1,487,081</u>	<u>\$ 30,668</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			1,403,444
Long-term liabilities are not due and payable in the current period and are not reported in the funds			(377,057)
Net assets of governmental activities			<u>\$ 1,520,348</u>

Charter Township of Bedford, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2006

		Nonmajor Special Revenue Fund - Cemetery Fund	Total Governmental Funds
	General Fund		
Revenue			
Property taxes	\$ 758,686	\$ -	\$ 758,686
Licenses and permits	112,900	-	112,900
State-shared revenues	722,199	-	722,199
Charges for services	147,900	-	147,900
Interest earned	34,869	1,069	35,938
Other	12,412	-	12,412
Total revenue	1,788,966	1,069	1,790,035
Expenditures - Current			
General government	976,690	-	976,690
Public safety	954,149	-	954,149
Total expenditures	1,930,839	-	1,930,839
Excess of Revenue Over (Under) Expenditures	(141,873)	1,069	(140,804)
Fund Balances - Beginning of year	605,166	29,599	634,765
Fund Balances - End of year	<u>\$ 463,293</u>	<u>\$ 30,668</u>	<u>\$ 493,961</u>

Charter Township of Bedford, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2006

Net Change in Fund Balances - Total Governmental Funds **\$ (140,804)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation (69,353)

Change in compensated absences 4,002

Repayment of bond principal is an expenditure in the
governmental funds, but not in the statement of activities
(where it reduces long-term debt) 177,134

Change in Net Assets of Governmental Activities **\$ (29,021)**

Charter Township of Bedford, Michigan

Proprietary Funds Statement of Net Assets December 31, 2006

	Enterprise - Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 434,848
Receivables - Net	373,854
Due from other funds	2,930
Prepaid costs and other assets	<u>2,292</u>
Total current assets	813,924
Noncurrent assets - Capital assets	<u>2,057,384</u>
Total assets	2,871,308
Liabilities	
Current liabilities:	
Accrued and other liabilities	4,250
Current portion of long-term debt	<u>165,000</u>
Total current liabilities	169,250
Noncurrent liabilities - Long-term debt - Net of current portion	<u>520,000</u>
Total liabilities	<u>689,250</u>
Net Assets	
Investment in capital assets - Net of related debt	1,372,384
Unrestricted	<u>809,674</u>
Total net assets	<u><u>\$ 2,182,058</u></u>

Charter Township of Bedford, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2006

	Enterprise - Sewer
Operating Revenue - Charges for services	\$ 219,868
Operating Expenses	
Sewer contract - City of Battle Creek	172,969
Legal and professional	2,000
Depreciation and amortization	<u>61,749</u>
Total operating expenses	<u>236,718</u>
Operating Loss	(16,850)
Nonoperating Revenue (Expense)	
Investment income	30,995
Interest expense	<u>(17,000)</u>
Change in Net Assets	(2,855)
Net Assets - Beginning of year	<u>2,184,913</u>
Net Assets - End of year	<u><u>\$ 2,182,058</u></u>

Charter Township of Bedford, Michigan

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2006

	Enterprise - Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 234,287
Payments to suppliers	(174,969)
Internal activity - Payments to other funds	(10,398)
Net cash provided by operating activities	48,920
Cash Flows from Capital and Related Financing Activities	
Collection of customer assessments (principal and interest)	98,885
Principal and interest paid on capital debt	(182,000)
Net cash used in capital and related financing activities	(83,115)
Cash Flows from Investing Activities - Interest received on investments	21,478
Net Decrease in Cash and Cash Equivalents	(12,717)
Cash and Cash Equivalents - Beginning of year	447,565
Cash and Cash Equivalents - End of year	<u><u>\$ 434,848</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (16,850)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	61,749
Changes in assets and liabilities:	
Receivables	14,419
Internal activity	(10,398)
Accrued and other liabilities	-
Net cash provided by operating activities	<u><u>\$ 48,920</u></u>

During the year ended December 31, 2006, there were no noncash transactions.

Charter Township of Bedford, Michigan

Fiduciary Funds Statement of Assets and Liabilities December 31, 2006

Assets - Cash and cash equivalents	<u><u>\$ 362,348</u></u>
Liabilities - Due to other governmental units	<u><u>\$ 362,348</u></u>

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies

The accounting policies of Charter Township of Bedford, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units with the following exception:

The Sewer Fund is on a full accrual basis and conforms to accounting principles generally accepted in the United States of America except that fixed assets acquired prior to January 1, 1990 have not been capitalized, nor has depreciation been recorded for those assets.

Reporting Entity

The Charter Township of Bedford, Michigan is governed by an elected seven-member board of trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Charter Township of Bedford. In accordance with accounting principles accepted in the United States of America, there are no component units to be included in the financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following major proprietary fund:

Sewer Fund - The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the Township reports the following fund types:

Special Revenue - The Special Revenue Fund accounts for resources solely dedicated by the board for cemetery use.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled \$165.9 million, on which taxes levied consisted of .8986 mills for operating purposes, 2.0 mills for public safety equipment, and 1.75 mills for fire equipment. This resulted in \$148,000 for operating, \$321,000 for public safety equipment, and \$290,000 for fire equipment. These amounts are recognized in the respective General Fund financial statements as tax revenue.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Sewer distribution systems	50 years
Buildings and building improvements	40 to 50 years
Other tools and equipment	3 to 20 years

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences (Vacation Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide and proprietary statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Amortization - Expenses associated with the issuance of the bonds in the Enterprise Funds are being amortized on the straight-line method over the term of the bonds. For the year ended December 31, 2006, amortization totaling \$2,952 has been included in the nonoperating expenses of the Enterprise Funds.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at December 31, 2005	\$ (11,029)
Current year building permit revenue	46,980
Construction code expenses:	
Direct costs	43,780
Indirect costs	<u>4,274</u>
Total construction code expenses	<u>48,054</u>
Shortfall at December 31, 2006	<u><u>\$ (12,103)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note 3 - Deposits and Investments (Continued)

The Township has designated four banks for the deposit of its funds. The Charter Township of Bedford, Michigan's deposits and investment policies are in accordance with statutory authority. The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,121,086 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - The Township does not specifically identify credit risk in the investment policy adopted by the Township. The Township has the following investments with credit risk and the applicable rating:

Investment	Fair Value	Credit Rating
Bank investment pools	\$ 670,227	Not rated

Note 4 - Receivables

Receivables as of year end for the Township's individual major funds are as follows:

	General Fund	Sewer Fund	Total
Receivables:			
Property taxes	\$ 355,909	\$ -	\$ 355,909
Accounts	155,723	52,148	207,871
Special assessment	-	312,336	312,336
Interest	-	9,370	9,370
Total receivables	<u>\$ 511,632</u>	<u>\$ 373,854</u>	<u>\$ 885,486</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the General Fund had \$800,090 in deferred revenue for property taxes levied in the current year but unearned at December 31, 2006.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2006	Additions	Balance December 31, 2006
Governmental Activities			
Capital assets not being depreciated - Land	\$ 37,463	\$ -	\$ 37,463
Capital assets being depreciated:			
Buildings and improvements	767,054	-	767,054
Other tools and equipment	<u>1,095,223</u>	<u>-</u>	<u>1,095,223</u>
Subtotal	1,862,277	-	1,862,277
Accumulated depreciation:			
Buildings and improvements	140,573	18,714	159,287
Other tools and equipment	<u>286,370</u>	<u>50,639</u>	<u>337,009</u>
Subtotal	<u>426,943</u>	<u>69,353</u>	<u>496,296</u>
Net capital assets being depreciated	<u>1,435,334</u>	<u>(69,353)</u>	<u>1,365,981</u>
Net capital assets	<u>\$ 1,472,797</u>	<u>\$ (69,353)</u>	<u>\$ 1,403,444</u>
Business-type Activities			
Capital assets being depreciated -			
Sewer distribution systems	\$ 2,939,851	\$ -	\$ 2,939,851
Accumulated depreciation -			
Sewer distribution systems	<u>823,670</u>	<u>58,797</u>	<u>882,467</u>
Net capital assets being depreciated	<u>\$ 2,116,181</u>	<u>\$ (58,797)</u>	<u>\$ 2,057,384</u>

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 9,478
Public safety	<u>59,875</u>

Total governmental activities	<u>\$ 69,353</u>
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Business-type activities - Sewer	<u>\$ 58,797</u>
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Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
Sewer Fund	General Fund	\$ 2,930

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. County contractual agreements and installment purchase agreements are general obligations of the government and pledge the full faith and credit of the Township. The MMBA bonds were issued by the State of Michigan and the proceeds are payable to Calhoun County. Under the contract, the Township is obligated to pay the principal and interest requirements on the bonds.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities							
Installment purchase agreement	3.09%	2008	\$ 547,993	\$ -	\$ (177,134)	\$ 370,859	\$ 182,608
Compensated absences			10,200	12,780	(16,782)	6,198	5,430
Total			<u>\$ 558,193</u>	<u>\$ 12,780</u>	<u>\$ (193,916)</u>	<u>\$ 377,057</u>	<u>\$ 188,038</u>
Business-type Activities							
Michigan Municipal Bond Authority, (MMBA), Michigan State Revolving Loan Fund Program, County of Calhoun, Project No. 5015							
	2.00%	2010	<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$ (165,000)</u>	<u>\$ 685,000</u>	<u>\$ 165,000</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 182,608	\$ 11,460	\$ 194,068	\$ 165,000	\$ 13,700	\$ 178,700
2008	188,251	5,817	194,068	170,000	10,400	180,400
2009	-	-	-	175,000	7,000	182,000
2010	-	-	-	175,000	3,500	178,500
Total	<u>\$ 370,859</u>	<u>\$ 17,277</u>	<u>\$ 388,136</u>	<u>\$ 685,000</u>	<u>\$ 34,600</u>	<u>\$ 719,600</u>

Note 8 - Contingencies

Environmental Cleanup - The Township is aware of soil contamination that occurred as the result of an underground storage tank. The Department of Environmental Quality is currently monitoring the site. The Township is currently working with a company specializing in environmental contamination to perform required remediation and monitoring. The ultimate costs to clean up the contamination cannot be determined at this time; therefore, no liability is recorded. Expenditures for the year ended December 31, 2006 were \$48,337.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note 9 - Budget Information

The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The schedule of revenue, expenditures, and changes in fund balance - budget and actual - General Fund is presented on the same basis of accounting used in preparing the adopted budget and is not adopted in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Township board is included in the required supplemental information.

Noncompliance - The General Fund has an unrestricted fund deficit as of December 31, 2006, which is prohibited by the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended by Public Act 621 of 1978).

Note 10 - Contract for Services

The Township currently has a contract with the City of Battle Creek for police services. The contract is effective through June 30, 2008.

The schedule of payments under the provisions of the contract is as follows:

2007	\$ 791,373
2008	<u>409,988</u>
Total	<u>\$ 1,201,361</u>

Costs incurred for the contract during 2006 totaled \$736,161.

Charter Township of Bedford, Michigan

Notes to Financial Statements December 31, 2006

Note 11 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for employees' medical benefits and participates in the Michigan Townships Participation Plan for claims relating to property loss, torts, errors and omissions, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participation Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 12 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan provisions were established through a resolution by the board and may be amended by future board actions. Employees are eligible to participate from the date of employment and are fully vested after 20 months of service. As established by the Township board, the Township contributes 6 percent of employees' gross earnings and employees contribute 5 percent of earnings. The Township has elected to contribute the 5 percent employee contribution for elected officials. In accordance with these requirements, the Township contributed \$25,794.

Note 13 - Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee. The pronouncement is effective for the year ending December 31, 2008.

Required Supplemental Information

Charter Township of Bedford, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Current levy:				
Police and fire	\$ 332,000	\$ 332,000	\$ 320,800	\$ (11,200)
Township	149,200	149,200	148,093	(1,107)
Street lighting	63,000	63,000	71,253	8,253
Fire	290,700	290,700	289,793	(907)
Total current levy	834,900	834,900	829,939	(4,961)
Tax administration fee	45,000	45,000	57,531	12,531
Total tax revenue	879,900	879,900	887,470	7,570
State-shared revenue	775,000	775,000	722,199	(52,801)
Licenses, fees, and permits:				
Trailer fees	6,700	6,700	3,955	(2,745)
Zoning fees	3,000	3,000	1,825	(1,175)
Liquor license fees	4,500	4,500	3,480	(1,020)
Mechanical permits	12,000	12,000	11,100	(900)
Building permits	27,000	27,000	24,115	(2,885)
Electrical permits	12,500	12,500	8,070	(4,430)
Plumbing permits	6,000	6,000	3,695	(2,305)
Cable franchise	40,000	40,000	56,660	16,660
Total licenses, fees, and permits	111,700	111,700	112,900	1,200
Charges for services	14,500	14,500	19,116	4,616
Interest earned	25,000	25,000	34,869	9,869
Miscellaneous	25,000	25,000	12,412	(12,588)
Total revenue	1,831,100	1,831,100	1,788,966	(42,134)
Contribution from Fund Balance	168,900	168,900	141,873	(27,027)
Total sources of funds	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,930,839</u>	<u>\$ (69,161)</u>

Charter Township of Bedford, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures				
General government:				
Township board:				
Salaries	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Employee benefits	9,800	13,000	12,061	939
Professional services	31,300	34,300	26,581	7,719
Insurance	29,200	29,200	28,693	507
Computer expense	5,000	12,500	11,701	799
Reserve fund	22,600	22,600	15,815	6,785
Debt service	290,700	202,730	194,067	8,663
Printing and publications	2,500	6,500	4,376	2,124
Total Township board	403,100	332,830	305,294	27,536
Supervisor:				
Supervisor's salary	56,000	56,000	56,000	-
Other salaries	23,500	23,500	22,994	506
Employee benefits	34,300	41,700	40,091	1,609
Total supervisor	113,800	121,200	119,085	2,115
Elections:				
Salaries	12,000	13,950	13,907	43
Miscellaneous	7,000	6,150	6,145	5
Total elections	19,000	20,100	20,052	48
Clerk:				
Clerk's salary	53,000	53,000	53,000	-
Other salaries	300	240	-	240
Employee benefits	23,000	28,060	27,168	892
Miscellaneous	700	900	731	169
Total clerk	77,000	82,200	80,899	1,301
Board of Review:				
Salaries	2,500	2,500	1,975	525
Employee benefits	250	250	134	116
Total Board of Review	2,750	2,750	2,109	641
Treasurer:				
Treasurer's salary	53,000	53,000	53,000	-
Other salaries	200	200	-	200
Employee benefits	22,300	27,500	27,168	332
Miscellaneous	1,000	400	35	365
Dues and publications	5,500	6,100	6,073	27
Total treasurer	82,000	87,200	86,276	924

Charter Township of Bedford, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government (Continued):				
Parks:				
Repair and maintenance	\$ 3,600	\$ 4,000	\$ 1,727	2,273
Insurance	3,500	3,500	3,500	-
Miscellaneous	10,500	10,100	7,685	2,415
Total parks	17,600	17,600	12,912	4,688
Planning Commission:				
Salaries	2,000	2,000	1,435	565
Employee benefits	200	200	90	110
Total Planning Commission	2,200	2,200	1,525	675
Assessor:				
Salaries - Assessor	38,900	38,900	37,977	923
Other salaries	23,500	23,500	22,110	1,390
Employee benefits	28,280	29,400	27,651	1,749
Professional services	2,500	1,550	1,145	405
Vehicle	600	1,050	1,032	18
Printing and publishing	2,300	2,900	2,898	2
Miscellaneous	2,300	1,700	1,159	541
Total assessor	98,380	99,000	93,972	5,028
Street lighting	63,000	63,000	62,936	64
Building and grounds:				
Utilities	16,200	16,100	17,231	(1,131)
Repair and maintenance	6,500	11,300	10,796	504
Communications	7,800	10,010	10,009	1
Operating supplies	8,000	6,000	5,418	582
Postage	5,000	5,000	4,667	333
Insurance	8,000	7,000	5,888	1,112
Sanitation	3,500	1,990	1,300	690
Storage tank removal	10,000	49,000	48,337	663
Miscellaneous	2,500	2,500	2,350	150
Capital outlay	8,000	8,000	6,803	1,197
Total building and grounds	75,500	116,900	112,799	4,101

Charter Township of Bedford, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government (Continued):				
Cemetery:				
Salaries	\$ 43,000	\$ 43,000	\$ 41,474	\$ 1,526
Employee benefits	20,500	25,150	24,999	151
Repair and maintenance	4,000	5,000	4,950	50
Insurance	6,000	5,250	5,141	109
Miscellaneous	1,500	2,500	2,267	233
Capital outlay	2,000	-	-	-
Total cemetery	77,000	80,900	78,831	2,069
Total general government	1,031,330	1,025,880	976,690	49,190
Public safety:				
Police:				
Salaries	6,000	100	-	100
Employee benefits	13,000	23,000	22,999	1
Battle Creek police contract	736,200	736,200	736,161	39
Total police	755,200	759,300	759,160	140
Fire:				
Salaries	69,100	69,100	52,388	16,712
Employee benefits	3,500	4,010	4,008	2
Gas and oil	6,000	6,000	4,555	1,445
Communications	10,000	10,000	7,786	2,214
Insurance	27,500	35,500	34,316	1,184
Repair and maintenance	32,500	23,590	21,981	1,609
Miscellaneous	6,500	6,900	2,472	4,428
Replacement equipment	11,000	11,000	19,429	(8,429)
Total fire	166,100	166,100	146,935	19,165
Building department:				
Salaries	39,600	39,600	39,186	414
Employee benefits	4,370	4,820	4,594	226
Indirect costs	3,400	4,300	4,274	26
Total building department	47,370	48,720	48,054	666
Total public safety	968,670	974,120	954,149	19,971
Total expenditures	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,930,839</u>	<u>\$ 69,161</u>

Other Supplemental Information

Charter Township of Bedford, Michigan

Other Supplemental Information Agency Funds - Combining Schedule of Assets and Liabilities Year Ended December 31, 2006

	Tax Collection Fund	Trust and Agency Fund	Total
Assets - Cash and cash equivalents	<u>\$ 362,345</u>	<u>\$ 3</u>	<u>\$ 362,348</u>
Liabilities - Due to other governmental units	<u>\$ 362,345</u>	<u>\$ 3</u>	<u>\$ 362,348</u>



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April 11, 2007

To the Township Board Members
Charter Township of Bedford
Battle Creek, Michigan

Dear Township Board Members:

In planning and performing our audit of the financial statements of Charter Township of Bedford as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Quarterly Review of Budgetary Comparison Reports

We became aware during our audit that the board does not receive budgetary comparison reports at least quarterly. Charter townships are required to present these reports to the board at the end of the first, second, and third quarters.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Segregation of Duties

We noted that the clerk has the ability to sign checks, receive cash, make bank deposits, post manual journal entries, and prepare bank reconciliations. In addition, the treasurer is responsible for receiving cash and making bank deposits. In addition to having the ability and responsibility to post manual journal entries and maintain the general ledger, the clerk prepares bank reconciliations. There is no approval or review of journal entries and no review of bank reconciliations. Ideally, some of the noted functions should be performed by separate employees, or another person should be approving or reviewing the work of others. In a small township, there may not be sufficient staff levels to properly segregate duties; however, we recommend that, where possible, additional controls or levels of review be instituted to improve controls.

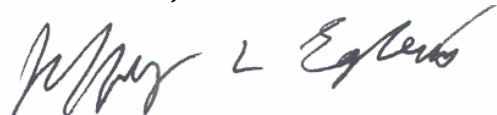
Audit Adjustments

During the audit process, several adjustments, including adjusting the books from cash to accrual, were recommended to management and made to adjust various general ledger balances as of December 31, 2006.

This communication is intended solely for the information and use of management, board members, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in dark ink, appearing to read 'Jeffrey L. Egberts', written in a cursive style.

Jeffrey L. Egberts, CPA
Partner